



Feb 24, 2009

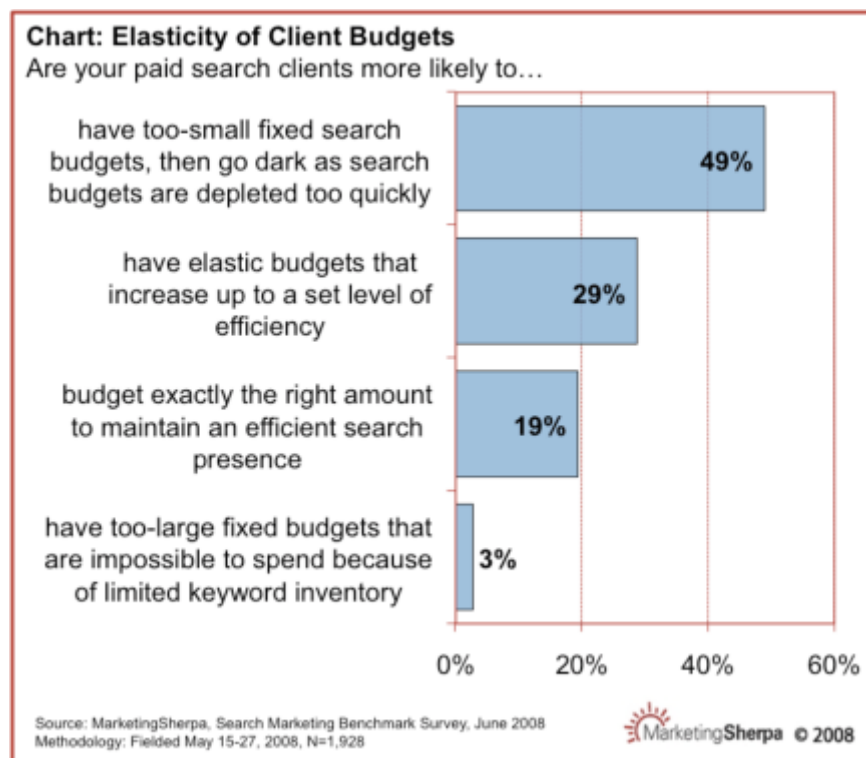
Article

[New Chart: Search Budgeting for Efficiency – 2 Valid Reasons](#)

SUMMARY: Recent Sherpa speaking gigs at industry-specific conferences led to an interesting observation. We noticed huge variations, within any industry, in the understanding and use of online marketing. For some, the online revolution embodies profound positive changes; for others, the Internet threatens long-established business models and some companies themselves.

Sherpa readers tend to fall into the former camp, but everyone can benefit from the answers to a few of the best questions we heard. Here is the question we address this week.

Elasticity of Client Budgets



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Question #1 – “There’s so much we could be doing online, but we’re really limited in time – where would you start?”

Answer:

The workhorses of online marketing are search, email and your website. Truly understanding these three elements is important whether you’re working as a realtor in Des Moines or running marketing for a multinational corporation.

Let's start with search and consider how you allocate budget for paid keywords. If you're like most marketers (see chart above), you have a set amount that you spend every week or month. That doesn't take advantage of the nature of paid search, which allows you to accurately gauge the return on the price paid for certain clicks (at least in direct sales). But, if you're getting an X% conversion rate from certain terms, you know that you're getting positive ROI. Allow your budget to be flexible to the point where you are getting diminishing returns, as long as you're hitting that target.

The second reason to pursue this style of search budgeting is the incentive to get your analytics in order. It's one thing to acknowledge that some aspects, such as the brand impact of social networking programs or the contribution of content initiatives to the complex sale, are difficult to measure. But, when it comes to paid search and other truly measurable tactics, we need to raise our game. A flexible search budget that maximizes efficiency is going to be a hit at management meetings; it will get you a bigger budget approved later. Any really efficient program has great analytics at its core, and this initiative is no different.

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